



ACQUISITION AND
TECHNOLOGY

THE UNDER SECRETARY OF DEFENSE
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MEMORANDUM FOR SERVICE ACQUISITION EXECUTIVES

11 OCT 1996

ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT & COMPTROLLER)
DIRECTOR, BALLISTIC MISSILE DEFENSE ORGANIZATION
DIRECTOR, DEFENSE CONTRACT AUDIT AGENCY
DIRECTOR, DEFENSE LOGISTICS AGENCY
DIRECTOR, NATIONAL SECURITY AGENCY

SUBJECT: Compliance responsibility for the Cost/Schedule Control Systems Criteria
(C/SCSC)

Department of Defense Acquisition Reform initiatives are changing the way we do business. Changes originate from many sources, ranging from new Department policy to local "Reinvention Laboratory" recommendations. The changes' scope and diversity demand responsive, innovative, and forward-looking policy implementation structures. Change also requires willingness to abandon practices that no longer add value, and to take prudent risks that hold promise for significant process improvement.

On June 11, 1996, the Service Acquisition Executives briefed the status of their activities to improve the use and implementation of earned value and the Cost/Schedule Control Systems Criteria (C/SCSC). Among other things, the Air Force presented, as a "future option," a proposal to assign C/SCSC "compliance" responsibility to DCMC.

Contractor management system compliance reviews under the C/SCSC are of three types: initial compliance evaluations of proposed earned value management systems; post acceptance reviews of approved systems; and reviews required due to identified deficiencies in previously accepted systems. Since most facilities have undergone "initial compliance evaluations" (this requirement began in 1967), most compliance reviews are now of the "post acceptance" and "deficiencies" type. Only four C/SCSC compliance reviews were conducted last year and there have been only four so far this year, one of which was led by DCMC. This represents a significant reduction from historical levels, and reflects the great strides you have jointly made in the last three years to improve DoD and industry acceptance of earned value and integrated management systems as a fundamental part of program management.

Growing acceptance of earned value and declining review activity have reduced but not eliminated the need to ensure a minimal core of expertise. However, after carefully considering your comments, I have decided that in a period of declining personnel resources we can most effectively ensure retention of that necessary expertise by transferring to DCMC the responsibility for verifying contractor compliance with the DoD Cost/Schedule Control Systems Criteria. As soon as possible, but no later than the end of FY 1997, DCMC will assume responsibility for all future C/SCSC compliance reviews of contractor management systems. The Director, Acquisition Program Integration, will take the actions necessary to provide for the appropriate



adjustments to Service and DCMC manpower levels through PDM II, with FY97 adjustments made through PDD or other appropriate venue.

A major benefit of this transfer will be to allow Program Managers (PMs) to "assume" the integrity of the data produced by the contractor's earned value management system (EVMS), thereby allowing PMs to focus on the use of the EVMS data in the management of their programs. This transfer applies only to C/SCSC compliance reviews and not to the other related support each of the Services provides to program management offices (PMOs), such as Integrated Baseline Reviews (IBRs). Since only the compliance activities are being transferred, I expect that this valuable Service support to PMOs will continue.

Each DoD Component will still be required to implement earned value effectively on its contracts, including ensuring that management systems reviews are requested when necessary, and that DCMC is supported with appropriate program office and functional personnel when reviews are required. DCMC will ensure that its support to program offices in this area is maintained and improved.


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